

VERMONT PENSION AND INVESTMENT COMMITTEE

JULY 12, 2005

Members present:

JEB SPAULDING, VT State Treasurer
WARREN WHITNEY, Vice-Chairman, VSEA member (term expiring September, 2006)
LINDA McINTIRE, Commissioner of Human Resources
JAMES REARDON, Commissioner of Finance & Management
ROBERT HOOPER, VSEA member (term expiring September 2006)
WILLIAM HARKNESS, VSEA member (term expiring September 2005)
JANICE ABAIR, Retired Vermont State Employees' Association
DICK JOHANNESSEN, Governor's Delegate
STEVEN JEFFREY, Employee Representative (term expiring July 1, 2007)
MARIE DUQUETTE, Governor's delegate
W. JOHN MITCHELL, II, Employee Representative (term expiring July 1, 2008)
DAVID LEWIS, Employer Representative (term expiring July 1, 2006)
JOSEPH MACKEY, Active No. 29334 (term expiring July 1, 2009)
JON HARRIS, Active No. 25669 (term expiring July 1, 2007)
JAY KAPLAN, Association of Retired Teachers of Vermont, (term expiring July 1, 2008)
THOMAS CANDON, representing Commissioner of BISHCA
VAUGHN ALTEMUS, representing Commissioner of Education

Also attending:

Donna Holden, Clerk
David Minot, Director of Finance and Investments
Bill Rice, Director of Law and Policy
Bill Griffin, Chief Assistant Attorney General
CATHERINE SIMPSON, VSEA Alternate (term expiring September 2006)
Joe Healey, Retired Vermont State Employees' Association
Mr. John Nelson, Executive Director Vermont School Boards Association
Mr. Thomas Little, General Counsel Vermont Student Assistance Corporation (VSAC)
Amy Whitehorne, VSAC legal intern
Pat Donohoe, State Street Bank & Trust Company
Doug Moseley, New England Pension Consultants
Ellen Griggs, New England Pension Consultant – via conference call

ITEM 1: Welcome and Explanation of Election Procedures

Mr. Jeffrey, VMERS Board Chairman, introduced himself and called the Tuesday, July 12, 2005 meeting to order at 8:06 a.m. held in the Capital Plaza Ethan Allen Room. Through consensus, the Committee appointed Mr. Jeffrey as Chairman Pro Tem pending the election of officers.

Through consensus, the Committee agreed, until the formal adoption of rules later, to operate, under ***Robert's Rules of Order Newly Revised, 10th Edition***, with the following from the Robert's Procedures in Small Boards section:

1. There is no limit to the number of times a member can speak to a question, and motions to close or limit debate generally should not be entertained.
2. Informal discussion of a subject is permitted while no motion is pending.
3. The Chairman need not rise while putting questions to vote.
4. The Chairman can speak in discussion without raising or leaving the chair; and, subject to rule or custom within a particular board (which should be uniformly followed regardless of how many members are present), he usually can make motions and usually votes on all questions.

Members of the Committee introduced themselves.

Through consensus, the Committee agreed to commence with the election of Vice Chair, who would assume that role until the election of Chairman. Mr. Jeffrey opened the floor for nominations for Vice Chair.

Mr. Kaplan asked for clarification regarding what the term and responsibilities would be for Committee officers.

Considerable discussion ensued with Mr. Rice's assistance; the Committee reviewed and discussed the June 23, 2005 memo prepared by Chief Assistant Attorney General, Bill Griffin, regarding Chairmanship rotations and election of officers.

Mr. Hooper made a motion seconded by Mr. Kaplan to postpone the election of officers indefinitely until clarity of the election process is obtained.

Mr. Griffin arrived at the meeting during discussion of the motion. Hearing no objections, Mr. Jeffrey asked Mr. Griffin to provide clarification of his memo and opinions. Mr. Griffin complied and among other items explained the Chair, like any other member of the Committee, would only have one vote, in the absence of defined expectations and authority could rely on those defined in Robert's Rules, and be granted contract signature authority.

Through consensus, the Committee agreed to allow Mr. Hooper to withdraw his motion and Mr. Kaplan to withdraw his second.

ITEM 2: Election of Officers

Mr. Mackey nominated Mr. Whitney for the position of Vice Chairman for a term of two-years.

There being no other nominations, on a motion by Mr. Hooper seconded by Mr. Altemus, the Committee unanimously voted to close nominations and instructed the Clerk to cast one ballot in favor of the election of Mr. Whitney as Vice Chairman for a term of two-years.

Thanking Mr. Jeffrey for his leadership, Mr. Whitney assumed the role of Vice-Chairman and Mr. Jeffrey stepped down.

Mr. Whitney opened the floor for nominations for Chairman.

Mr. Altemus nominated Mr. Spaulding for the position of Chairman for a term of two-years.

There being no other nominations, on a motion by Mr. Jeffrey seconded by Mr. Mitchell, the Committee unanimously voted to close nominations and instructed the Clerk to cast one ballot in favor of the election of Mr. Spaulding as VPIC Chairman for a term of two-years.

Thanking Mr. Whitney and the Committee, Mr. Spaulding assumed the role of Chairman and Mr. Whitney stepped down.

Mr. Spaulding asked the Committee to consider election of a secretary or clerk for the Committee.

On a motion by Mr. Whitney seconded by Mrs. McIntire, the Committee unanimously voted to appoint Donna Holden as Clerk.

The Committee acknowledged that duties and responsibilities of the Committee Officers and Clerk would be defined at a later date.

ITEM 3: Presentation/Discussion

▪ **Effective Board Characteristics & Making Meetings Work**

Mr. John Nelson, Executive Director Vermont School Boards Association appeared before the Committee and provided discussion on *Being Effective as a Board... Things That Make a Difference*. In addition to information in the handout distributed, Mr. Nelson advised that action items should be listed and warned and not, with the exception of minor approvals (i.e. travel) be taken up under “Other Business”.

Mr. Harkness left the meeting; Ms. Simpson assumed a voting role.

ITEM 4: Presentation/Discussion - Meeting Our Fiduciary Responsibility

Mr. Thomas Little, General Counsel Vermont Student Assistance Corporation (VSAC) appeared before the Committee and provided discussion on the Uniformed Prudent Investor Act, sections of Vermont State Statute and H.117, Standards of Conduct, Executive Code of Ethics, and Legal Aspects of the Fiduciary Duties of VPIC Members.

ITEM 5: Presentation/Discussion

- **Review and Interpretation of H.117**
- **What Are Our New Responsibilities as VPIC Members**
- **Review of Standards of Conduct Regulations**

Mr. Bill Rice, Treasurer’s Office Director of Law and Policy and Mr. Bill Griffin, Chief Assistant Attorney General appeared before the Committee to review and discuss the items listed above.

Mr. Jeffrey pointed out a housekeeping item in Act 50 noting a discrepancy in language on page 3 and page 7 regarding VMERS statute §5052 and §5053.

ITEM 6: How We Do Business in the Future

- **Rules of Procedure, Roberts or Sturgis**

Mr. Mackey made a motion seconded by Mr. Whitney to adopt *Robert’s Rules of Order Newly Revised, 10th Edition*, as the Committee’s operating procedures.

Mr. Jeffrey made a motion seconded by Mr. Altemus to amend the main motion to include the following sections of the Small Board Procedures:

1. **There is no limit to the number of times a member can speak to a question, and motions to close or limit debate generally should not be entertained.**
2. **Informal discussion of a subject is permitted while no motion is pending.**
3. **The Chairman need not rise while putting questions to vote.**
4. **The Chairman can speak in discussion without raising or leaving the chair; and, subject to rule or custom within a particular board (which should be uniformly followed regardless of how many members are present), he usually can make motions and usually votes on all questions.**

Mr. Hooper requested division of the question.

Mr. Hooper made a motion seconded by Mr. Lewis, to amend the amendment to the main motion to strike "...and motions to close or limit debate generally should not be entertained." from section one listed above. Passed by the committee.

The amendment to the main motion made by Mr. Jeffrey seconded by Mr. Altemus to include sections of the Small Board Procedures as amended, was unanimously passed by the Committee.

The main motion made by Mr. Mackey seconded by Mr. Whitney as amended was unanimously passed by the Committee.

Committee members agreed they all would want a copy of the *In Brief* version of the *Robert's Rules of Order Newly Revised*, at an expense of \$4.00 each, which was distributed courtesy of the Vermont League of Cities and Towns.

Mr. Jeffrey agreed to serve as parliamentary advisor to the Chair.

▪ **Meeting Schedule and Format**

The Committee reviewed the meeting schedule alternatives.

On a motion by Mr. Harris seconded by Mr. Hooper, the Committee voted to adopt the six-times per year meeting format with quarterly investment meetings in February, June, August and December, and educational/business meetings in April and October.

The Committee and acknowledged the schedule format would/could be reviewed and modified as needed.

On a motion by Mr. Kaplan seconded by Mr. Whitney, the Committee voted to hold a quarterly investment meeting on August 17 & August 18, 2005.

▪ **Need for Subcommittees? – RFPs, Proxy Guidelines, etc.**

The Committee received and reviewed a proposal from Mr. Whitney to create a "Committee on Committees".

Mr. Whiney made a motion seconded by Mr. Altemus to create a "Committee on Committees" to be comprised of the three Retirement System Chairs and the VPIC Chair, for the purpose of appointing members to a "Committee on Policy" sub-Committee and Committee on Investments" sub-committee.

Mr. Lewis made a motion seconded by Mr. Altemus, to amend the main motion to change the word "*establish*" to "*recommend*" in line two of the "Committee on Policy" description, unanimously passed by the Committee.

Through consensus, the Committee allowed Mr. Whitney to withdraw his original motion and Mr. Altemus to withdraw his second.

Mr. Whitney made a motion seconded by Mr. Kaplan, to create a "Committee on Committees" comprised of the four Chairs (VMERS, VSERS, VSTRS, and VPIC) for the purpose of creating an initial Job Responsibilities Policy for the Chair, Vice Chair, and Clerk positions, and prepare recommendations for appointment to the "Committee on Policy" sub-Committee and Committee on Investments" sub-committee, all for action by the VPIC Committee at the August meeting.

Mr. Jeffrey made a motion seconded by Mr. Reardon, to amend the main motion to be "...comprised of the four Chairs *or their designee*...", unanimously passed by the Committee.

The main motion made by Mr. Whitney seconded by Mr. Kaplan as amended, was unanimously passed by the Committee.

Mr. Whitney suggested that any member interested in serving on either of the sub-committees should notify their respective Chair or the VPIC Chair, as timely as possible.

- **Contracting Procedures and Authorization to Execute Contracts**

Mr. Harris made a motion seconded by Mr. Altemus, to authorize the VPIC Chair to sign contracts approved by the VPIC.

Mr. Kaplan made a motion seconded by Mr. Mackey, to amend the main motion to allow members to have the right to review any contract prior to signature.

Mr. Hooper made a motion seconded by Mr. Mackey, to call the question. Motion failed.

The motion to amend the main motion failed.

Mr. Hooper made a motion seconded by Mr. Mackey, to amend the main motion to authorize and require both the Chair and Vice-Chair to sign contracts approved by the VPIC. Motion failed.

Mr. Mitchell made a motion seconded by Mr. Reardon, to amend the main motion to authorize the Vice-Chair to sign contracts approved by the VPIC in the Chair's absence. Motion unanimously passed.

The main motion made by Mr. Harris seconded by Mr. Altemus as amended, was unanimously passed by the Committee.

- **Other Topics as Needed and Time Permits**

Time did not permit further discussion.

Mr. Whitney, Mr. Jeffrey, Mr. Kaplan and Mr. Mackey left the meeting.

ITEM 7: Review and Approval of Pending Contracts

Mr. Minot briefed the Committee on the status of the following contract issues

- International Equity: Acadian Asset Management and Mondrian Investment Partners, Ltd.

On a motion by Ms. Duquette seconded by Mr. Candon, the Committee unanimously voted to ratify the prior approval to proceed with an international equity contract with Acadian Asset Management and Mondrian Investment Partners, Ltd., subject to approval by the Attorney General's Office and Secretary of Administration.

- Transition Management: State Street Bank & Trust Co. (SSgM)

On a motion by Ms. Duquette seconded by Mr. Reardon, the Committee unanimously voted to ratify the prior approval to proceed with amendment to the transition management contract with State Street Bank & Trust Co (SSgM), subject to approval by the Attorney General's Office and Secretary of Administration.

- Global Fixed Income: Brandywine Asset Management, LLC

On a motion by Ms. Abair seconded by Mrs. McIntire, the Committee unanimously voted to ratify the prior approval to proceed with a global fixed income contract with Brandywine Asset Management, subject to approval by the Attorney General's Office and Secretary of Administration.

- Custody Management: State Street Bank & Trust Company

Mr. Minot explained he was seeking the Committee's pre-approval to potentially amend the current custody contract with SSB&T to include provisions for "Plan Accounting", and any other changes necessary and relevant to the VPIC.

When queried by members of the Committee, Mr. Donohoe stated there would be a definite savings under an amended contract based on economy of scales, and that the structure would depend on the number of accounts or sleeves.

On a motion by Mr. Reardon seconded by Mr. Altemus, the Committee unanimously voted to authorize an amendment to the State Street Bank & Trust Co custody contract to implement necessary VPIC accounting changes, and to apply best efforts to achieve and include fee reductions.

Mr. Rice advised that pre-existing contracts were governed by the VPIC. He explained by statute the VPIC was the automatic successor, and authority, to existing contracts previously executed by the three Retirement Boards. He recommended a federal ID# be obtained for the VPIC entity and that existing money managers be notified of the change in contract parties, as well as information regarding authorized contract designees.

- Domestic Fixed Income: Trusco Capital Management, Loomis Sayles

On a motion by Mr. Hooper seconded by Ms. Duquette, the Committee unanimously voted to ratify knowledge of the ownership change from Seix Investment Advisors to Trusco Capital Management, and contract with the new owners for domestic fixed income management.

On a motion by Mr. Hooper seconded by Mr. Altemus, the Committee unanimously voted to ratify approval for a contract amendment with Loomis Sayles to modify domestic income language.

- Large Cap Equity: T Rowe Price, SSgA, and PIMCO

On a motion by Mr. Harris seconded by Mr. Hooper, the Committee unanimously voted to postpone discussion regarding the large cap managers to the August quarterly investment meeting.

Ms. Abair and Mr. Hooper left the meeting.

ITEM 8: Adjournment

On a motion by Mr. Harris seconded by Mr. Mitchell, the Committee unanimously voted to adjourn at 3:50 p.m.

Next Meeting Date:

Quarterly Investment meeting - August 17, 2005 & August 18, 2005.

Respectfully submitted,
Donna Holden, Clerk